

**Economic Impact Statement**  
LSA Document #10-349

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****Description of Rule**

The Department of Child Services ("DCS" or "department") licenses all foster family homes ("foster home" or "homes") required to be licensed in the state of Indiana. Certain relative homes not required to be licensed may voluntarily become licensed foster homes. Some homes are licensed and supervised through DCS local offices, and other homes are licensed and supervised through child placing agencies that are also licensed by the department (LCPAs). This rule revises and updates the licensing requirements for a foster home licensed under [IC 31-27-4](#), replacing the current rule codified at [465 IAC 2-1](#). It establishes the qualifications of the foster family and the requirements for the physical facilities of the foster home, care of children in the foster home, and training of the foster parent.

**Economic Impact on Small Businesses****1. Estimated number of small businesses affected by the proposed rule.**

[IC 4-22-2.1-4](#), incorporating by reference [IC 5-28-2-6](#), defines a small business as a business entity that satisfies the following requirements:

- (1) On at least fifty percent (50%) of the working days of the business entity occurring during the preceding calendar year, the business entity employed not more than one hundred fifty (150) employees.
- (2) The majority of the employees of the business entity work in Indiana.

The term "business entity" is not defined in the statute.

As of July 31, 2010, there were 5,198 foster homes in Indiana licensed by DCS that were available for placement of children or youth needing an out-of-home placement for care and supervision. That number includes 2,753 foster homes licensed through DCS local offices, and 2,445 foster homes licensed and supervised through LCPAs, which apply the department's licensing standards and make recommendations to the department for issuance or denial of a license. The department believes that very few, if any, licensed foster homes would be considered to be a "small business" as currently defined in [IC 4-22-2.1-4](#). Few of those homes have any employees. Even if a foster home does have an employee, it should not be considered a "business entity" within the meaning of the statute.

There are approximately 40 LCPAs that assist DCS in the licensing of foster homes and that will be required to comply with the proposed rule when they recommend foster homes to DCS for licensure.

**2. Estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule.**

The current rule that is being repealed has similar record keeping requirements as the proposed rule. The proposed rule does not change current procedures for foster homes to submit to the department claims for monthly payments or impose any additional requirements that would increase costs of reporting, record keeping, or other administrative functions.

**3. Estimate of the total annual economic impact that compliance with the proposed rule will have on small businesses subject to the rule.**

As stated above, the department believes that few, if any, foster homes would be considered a "small business" as currently defined in [IC 4-22-2.1-4](#). Therefore, compliance with the proposed rule will not have an economic impact on small businesses.

**4. Statement justifying any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law.**

There is no additional cost to small businesses. The current rule has not been updated since 1947. The updated requirements are necessary to ensure that appropriate foster homes are licensed.

**5. Regulatory flexibility analysis.****(A) Other factors considered, including less stringent compliance or reporting requirements, schedules or deadlines for compliance, performance standards instead of design or operational standards.**

The current rule has not been updated since 1947. The proposed rule does not significantly change current compliance and reporting requirements. The updated requirements are necessary to ensure that appropriate foster homes are licensed. Neither the current rule nor the proposed rule establishes

schedules or deadlines for compliance with initial licensing requirements. The supervising DCS local office or LCPA monitors the homes to assure that standards are being maintained when children are placed in licensed homes, and that required in-service training is completed.

**(B) Consolidation or simplification of compliance or reporting requirements for small businesses.**

The rule is as simple as it can be. The updated requirements are necessary to ensure that appropriate foster homes are licensed.

**(C) Exemption of small businesses from part or all of the requirements or costs imposed by the rule.**

The state needs a uniform system to license foster homes. The majority of LCPAs that will be subject to this rule would be considered "small businesses". By statute, [IC 31-27-6](#), the LCPAs are required to be licensed and subject to monitoring and inspection of their activities by the department. The statute authorizing the department to delegate investigation of foster homes for licensing purposes to a LCPA, [IC 31-27-4-14](#), requires the LCPA to recommend licensure, and to supervise and monitor a home after licensure through the agency, based on the department's rules applicable to all foster family homes. Therefore, those agencies cannot be exempted from the licensing and reporting requirements of the rule.

**Conclusion**

The changes proposed will have insignificant financial or economic effect on the operations of small businesses in Indiana.

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